

Message Text

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 7808

INFO AMCONSUL AMSTERDAM

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AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

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E.O. 111652: N/A

TAGS: EFIN, BE

SUBJECT: EUROPEAN VISIT OF SEC CHAIRMAN HILLS

REF: STATE 205333; BRUSSELS 8199

1. THERE HAVE NOT BEEN ANY RECENT SIGNIFICANT PUBLIC STATEMENTS IN BELGIUM ON EITHER SEC ACTIVITIES OR THE ACTIVITIES OF U.S. SECURITIES BROKERAGE OR UNDERWRITING FIRMS HERE. THERE HAS BEEN PRESS INTEREST IN (A) PENDING LEGISLATION TO REGULATE FOREIGN BANKS IN THE US, PARTICULARLY ON POSSIBLE REVISION OF THE GLASS-STEAGALL ACT; (B) THE SEC ROLE IN THE MULTINATIONAL BRIBE CONTROVERSY; (C) INVESTMENT IN THE US, INCLUDING PORTFOLIO AND REAL ESTATE INVESTMENT.

2. THERE ARE EIGHT US SECURITIES BROKERAGE FIRMS OPERATING IN BELGIUM (ALL IN BRUSSELS). (THERE ARE NO US UNDERWRITERS, AS BANKS MONOPOLIZE THIS FUNCTION HERE.) US BROKERAGE FIRMS ARE LOCALLY INCORPORATED WITH THE STATUS OF SERVICE COMPANIES. THEY ARE REGULATED PRINCIPALLY BY TWO UNCLASSIFIED

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LAWS: (A) ONE REQUIRING THAT LOCAL ORDERS FOR SECURITIES IN

FOREIGN COUNTRIES MUST ORIGINATE IN AN AUTHORIZED AGENCY--
I.E., A BELGIAN STOCKBROKER OR BANK (THE LATTER INCLUDING
US BANK BRANCHES AND SUBSIDIARIES); (B) THE OTHER, AN
EXTREMELY RESTRICTIVE LAW ON THE SOLICITING OR ADVERTISING
OF FOREIGN STOCK, PRACTICALLY LIMITING THIS ACTIVITY TO
BELGIAN BANKS OR STOCKBROKERS. US AND OTHER FOREIGN BANKERS
ARE BARRED FROM TRADING DIRECTLY ON THE BRUSSELS STOCK
EXCHANGE; THIS RIGHT IS ALLOWED ONLY TO BELGIAN PHYSICAL
(NOT CORPORATE) CITIZENS. AS IS PROBABLY EVIDENT, THE INTENT
OF THESE LAWS IS TO PROTECT BOTH THE BELGIAN POPULATION
AGAINST FOREIGN SWINDLERS, AND THE BELGIAN BANKING INDUSTRY
AGAINST OUTSIDE COMPETITION.

3. US STOCKBROKERS IN BRUSSELS HAVE LITTLE HOPE THAT THIS
SITUATION WILL CHANGE ANY TIME SOON. FOR THEM TO BE ABLE
TO JOIN THE BRUSSELS STOCK EXCHANGE, REFORM WOULD BE NECESSARY
BOTH TO REMOVE THE BAN ON FOREIGNERS AND TO ALLOW MEMBERSHIP
BY CORPORATIONS (CURRENTLY, ONLY PARTNERSHIPS ARE PERMITTED).
THERE IS SOME DESIRE IN THE GOVERNMENT FOR SUCH CHANGES,
PARTICULARLY IN THE MINISTRY OF FINANCE WHICH WOULD LIKE
TO SEE GREATER ACCOUNTABILITY BY STOCKBROKERS TO DISCOURAGE
TAX EVASION. THERE IS ALSO SERIOUS OPPOSITION, HOWEVER,
BOTH ON NARROW SELF-INTEREST GROUNDS AND BECAUSE OF FEAR
THAT, IF FOREIGNERS WERE LET IN, THEY WOULD QUICKLY TAKE
OVER MUCH OF THE ACTION.

4. US STOCKBROKERS HERE ARE NONETHELESS ABLE TO CARRY ON
LIMITED ACTIVITY THANKS TO INFORMAL UNDERSTANDINGS WITH THE BANKING
COMMISSION. THEY ARE, FOR EXAMPLE, PERMITTED TO TRANSMIT
BANK AND BELGIAN STOCKBROKER ORDERS (BUT NOT ORDERS FROM
INDIVIDUALS) TO THEIR HOME OFFICES IN THE US. ALTHOUGH THEY
ARE NOT TO ACCEPT ORDERS DIRECTLY FROM INDIVIDUALS, THE
COMMISSION TOLERATES AN EXCEPTION IN THE CASE OF US CITIZENS,
MOSTLY BUSINESSMEN, WHO ARE HERE IN TEMPORARY RESIDENCE.
BROKER DISCOUNTS TO BANKS OF 25 TO 33 PERCENT ARE STANDARD
AND ACCEPTED PRACTICE.

5. OPERATING WITHIN THESE GUIDELINES, THE US FIRMS HAVE NOT
HAD PARTICULAR DIFFICULTIES IN OBTAINING WORK PERMITS AND
ESTABLISHING LOCAL OFFICES. EXCHANGE CONTROL, CREDIT ALLOCA-
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TION AND TAX LAWS ARE LIKEWISE NOT A PARTICULAR PROBLEM.
US BROKERS HERE HAVE EXCELLENT RELATIONS WITH THE BANKING
COMMISSION. THEY GENERALLY COVER LUXEMBOURG AS WELL (TWO
ARE LISTED ON THE LUXEMBOURG EXCHANGE) AND ARE THUS CONVERSANT
WITH THE OPERATING CLIMATE THERE AS WELL AS IN BELGIUM.
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